



THE CITY OF SAN DIEGO

Notice of Public Hearing

*The San Diego
City Council will
hold a public hearing
to consider increasing
water rates.*

**Interested
parties are
invited to attend.
Read inside to
learn more.**

**November 17, 2008
2:00 p.m.**

City Administration Building
202 "C" Street, 12th Floor
Council Chambers

Notice of Public Hearing Information Inside

THE CITY OF SAN DIEGO
202 C Street, MS 2P
San Diego, California 92101
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PROPOSED WATER SERVICE RATES AND CHARGES

The San Diego City Council will be holding a public hearing to consider proposed adjustments in water rates. The meeting will be held November 17, 2008, at 2 p.m. At this hearing the Council will consider the recommendation to increase water rates to recover the increased cost charged by the County Water Authority for wholesale water; and a separate water rate increase to fund the Council approved Indirect Potable Reuse/Reservoir Augmentation Demonstration Project.

PROPOSED NEW WATER RATES BASED ON COUNTY WATER AUTHORITY ACTION

On June 26, 2008 the San Diego County Water Authority (CWA) voted to increase the rates it charges for imported water beginning on January 1, 2009. This rate increase applies to all county water agencies, including the City. Because local water supplies are very limited, the City must buy approximately 90% of the water it supplies to its customers from the CWA. Because the City is required to recover the costs for water purchases, it must "pass through" these increased charges to its own customers.

The CWA based its increase on the costs for its own infrastructure, operations and maintenance. The CWA increase also reflects the cost it pays to purchase water from the region's largest water wholesaler, the Metropolitan Water District of Southern California. The CWA has approved increases to both its fixed infrastructure access charge and its commodity charges, which are based upon the amount of water purchased. This rate increase does not include any increase for City infrastructure, operations or maintenance.

Proposed Fee Increases

There are two parts to water rates charged by the City of San Diego to you as a customer. These are the Base Fee and the Commodity Fee. The Base Fee is levied to recover the

fixed charges associated with the operation and maintenance of the water system and the charges paid by the City to access the CWA water supply infrastructure. The Commodity Fee is levied to recover the variable costs based on the amount of water used by water system customers. The proposed rate increase will affect both the Base Fee and the Commodity charge.

Proposed Base Fee Rate Adjustments Due to CWA "Pass Through"

The following table illustrates how the proposed water rate increase will affect the base fee for water system customers. This fee is applied to each meter equivalent and increases as the meter size increases. The figures included in the table are based on charges per month.

AN IMPORTANT NOTE:

Over 90 percent of the single Family Residential customers have meter sizes less than 1 inch. That means that the vast majority of Single Family Residential customers will see their base fee rise by 20 cents per month. If you need assistance to determine your meter size, please call the City's Water Department Customer Service Division at (619) 515-3500.

PROPOSED CWA PASS THROUGH INCREASE – MONTHLY BASE FEE (Based on Meter Size)

| Meter Size | Current | Anticipated Increase | Rate as of January 1, 2009 |
|------------|------------|----------------------|----------------------------|
| 5/8 inch | \$16.32 | \$0.20 | \$16.52 |
| 3/4 inch | \$16.32 | \$0.20 | \$16.52 |
| 1 Inch | \$23.86 | \$0.34 | \$24.20 |
| 1 1/2 Inch | \$41.10 | \$0.66 | \$41.76 |
| 2 Inch | \$62.66 | \$1.06 | \$63.72 |
| 3 Inch | \$113.29 | \$2.00 | \$115.29 |
| 4 Inch | \$185.49 | \$3.34 | \$188.83 |
| 6 Inch | \$364.36 | \$6.66 | \$371.02 |
| 8 Inch | \$579.86 | \$10.66 | \$590.52 |
| 10 Inch | \$832.01 | \$15.34 | \$847.35 |
| 12 Inch | \$1,549.64 | \$28.66 | \$1,578.30 |
| 16 Inch | \$2,699.37 | \$50.00 | \$2,749.37 |

Proposed Commodity Fee Adjustments Due to CWA "Pass Through":

In addition to an increase in the base fee for fixed charges, the CWA "pass through" costs proposed by the City will also raise the **commodity fee**. The City is proposing to raise commodity fees by 8.5% for each hundred cubic feet (HCF) of water consumed within the City's tiered water rate system. A hundred cubic feet of water equals approximately 748 gallons. The typical Single Family Residential customer uses 14 HCF (or 10,472 gallons) each month.

PROPOSED CWA PASS THROUGH INCREASE - MONTHLY COMMODITY FEE (Based on Water Usage)

| Customer Classification | Current | Total Increase | January 1, 2009 (with CWA Pass Through) |
|-------------------------------|---------|----------------|--|
| Single Family Dwelling | | | |
| Tier 1 (First 7 HCF used) | \$2.505 | \$0.213 | \$2.718 |
| Tier 2 (Second 7 HCF used) | \$2.717 | \$0.231 | \$2.948 |
| Tier 3 (Usage above 14 HCF) | \$3.051 | \$0.259 | \$3.310 |
| Multi-family Dwelling | \$2.717 | \$0.231 | \$2.948 |
| Commercial | \$2.606 | \$0.222 | \$2.828 |
| Industrial | \$2.606 | \$0.222 | \$2.828 |
| Irrigation | \$2.784 | \$0.237 | \$3.021 |
| Temporary Construction | \$2.784 | \$0.237 | \$3.021 |

Example:

When combined with new base fees, the increased commodity charges will effectively raise total water rates for a typical Single Family Residential Customer by approximately 6.26% (\$3.31 per month). The exact amount of increase will vary among customers because of their varying levels of water consumption.

PROPOSED CWA PASS THROUGH EFFECT OF WATER RATE INCREASE ON THE MONTHLY COST TO THE TYPICAL SINGLE FAMILY DWELLING (14HCF USAGE)

| Residential Base Fee | Current | January 1, 2009 (with CWA Pass Through) |
|-----------------------|----------------|--|
| 3/4 Inch meter | \$16.32 | \$16.52 |
| Commodity Fee* | | |
| Tier 1 (1-7 HCF) | \$17.54 | \$19.03 |
| Tier 2 (8-14 HCF) | \$19.02 | \$20.64 |
| TOTAL | \$52.88 | \$56.19 |

* Assumes 7 HCF used per rate tier

NOTE:

To help promote conservation, the City uses a tiered billing structure that increases the costs for water used by residential customers. The first tier rate applies to water usage up to 7 HCF per month. The second, higher, tier rate applies to all water used over 7 HCF and up to 14 HCF per month (the amount used by a typical Single Family Residential customer). The third, highest, tier rate applies to all water used in excess of 14 HCF per month.

Please note that the City recently moved to a bi-monthly billing cycle. This means that each water bill you receive now includes charges for two months of service.

More information about water rates is available at www.sandiego.gov/water or by calling (619) 515-3500.

PROPOSED TEMPORARY INDIRECT POTABLE REUSE/RESERVOIR AUGMENTATION DEMONSTRATION PROJECT WATER RATE INCREASE

On December 3, 2007, the San Diego City Council voted to initiate a Demonstration Project to help determine the feasibility of using reclaimed water to augment local drinking water supplies. The Demonstration Project would examine the process for Indirect Potable Reuse through Reservoir Augmentation (IPR/RA). The City Council is proposing to temporarily raise water rates for City Water Department customers, beginning January 1, 2009.

The total cost of the Demonstration Project is \$11,811,000. In order to acquire these funds, the City Council is proposing to raise rates for City water customers for a period of

approximately 18 months beginning January 1, 2009. The proposed increase would generate \$10.7 million in revenue. The remaining \$1.1 million in project costs will be reimbursed through a grant provided by Proposition 50 funding. The rate increase would raise commodity rates (the charges for water used by City customers) by 3.26%. Because the rate increase would apply only to the commodity charges and not the base fee paid by customers the effective rate increase for a typical single family residential customer would be 2.3% or \$1.19 per month. Based upon existing water sales projections, this temporary increase is expected to end approximately July 1, 2010.

The Demonstration Project will provide the technical, environmental, regulatory, funding and public outreach requirements necessary to implement a full scale project. If the Demonstration Project meets regulatory requirements and provides evidence of the viability of the IPR/RA process, the City would then explore the feasibility of constructing a full scale IPR/RA plant to send advanced treated water to San Vicente Reservoir via a 23-mile pipeline where, after months of blending and additional treatment, it would be redistributed as potable water. A separate rate increase and additional Council action would be required to initiate a full scale IPR/RA project.

Demonstration Project

The proposed Demonstration Project to be funded by the rate increase being proposed by the City Council would:

- Allow the City to design, construct and operate a demonstration-scale advanced water treatment (AWT) plant at the North City Water Reclamation Plant intended to produce approximately 1 million gallons per day of AWT water;

- Conduct a study of San Vicente Reservoir to establish how long AWT water would reside in the reservoir;
- Define the state's regulatory requirements for the IPR/RA demonstration project;
- Allow the City to perform an independent energy and economic analysis for the IPR/RA program; and
- Allow the City to conduct a public outreach and education program regarding Indirect Potable Reuse.

As proposed, the Demonstration project would begin in early-2009 and be completed by 2013.

There are two parts to water rates charged by the City of San Diego to you as a customer. These are the Base Fee and the Commodity Fee. The Base Fee is levied to recover the fixed charges associated with the operation and maintenance of the water system and the charges paid by the City to access the CWA water supply infrastructure. The Commodity Fee is levied to recover the variable costs based on the amount of water used by water system customers. This proposed rate increase will only affect the Commodity charge.

PROPOSED MONTHLY COMMODITY FEE IF ONLY DEMONSTRATION PROJECT RATE INCREASE IS APPROVED (Based on Water Usage)

| Customer Classification | Current | IPR Related Increase | Rate as of January 1, 2009 |
|-------------------------------|---------|----------------------|----------------------------|
| Single Family Dwelling | | | |
| Tier 1 (First 7 HCF used) | \$2.505 | \$0.082 | \$2.587 |
| Tier 2 (Second 7 HCF used) | \$2.717 | \$0.089 | \$2.806 |
| Tier 3 (Usage above 14 HCF) | \$3.051 | \$0.099 | \$3.150 |
| Multi-family Dwelling | \$2.717 | \$0.089 | \$2.806 |
| Commercial | \$2.606 | \$0.085 | \$2.691 |
| Industrial | \$2.606 | \$0.085 | \$2.691 |
| Irrigation | \$2.784 | \$0.091 | \$2.875 |
| Temporary Construction | \$2.784 | \$0.091 | \$2.875 |

Example:

The increased commodity charges will effectively raise total water rates for a typical Single Family Residential Customer by approximately 2.3% (\$1.19 per month). The exact amount of increase will vary among customers because of their varying levels of water consumption.

PROPOSED EFFECT OF DEMONSTRATION PROJECT ON THE MONTHLY COST TO THE TYPICAL SINGLE FAMILY DWELLING (14 HCF)

| Residential Base Fee | Current | January 1, 2009 |
|-----------------------|----------------|-----------------|
| 3/4 Inch meter | \$16.32 | \$16.32 |
| Commodity Fee* | | |
| Tier 1 (1-7 HCF) | \$17.54 | \$18.11 |
| Tier 2 (8-14 HCF) | \$19.02 | \$19.64 |
| TOTAL | \$52.88 | \$54.07 |

*Assumes 7 HCF used per rate tier. Assumes increases from IPR only.

NOTE:

To help promote conservation, the City uses a tiered billing structure that increases the costs for water used by residential customers. The first tier rate applies to water usage up to 7 HCF per month. The second, higher, tier rate applies to all water used over 7 HCF and up to 14 HCF per month (the amount used by a typical Single Family Residential customer). The third, highest, tier rate applies to all water used in excess of 14 HCF per month.

Please note that the City recently moved to a bi-monthly billing cycle. This means that each water bill you receive now includes charges for two months of service.

More information about water rates is available at www.sandiego.gov/water or by calling (619) 515-3500.

RATES IF BOTH THE PASS THROUGH AND IPR/RA DEMONSTRATION PROJECT ARE APPROVED

The City Council may approve increases in water rates to pay for both the CWA Pass Through and fund the Demonstration Project. The following tables describe what water rates would be if this occurs. Please note the Demonstration Project increase would be applied to the Commodity Fee only.

PROPOSED MONTHLY BASE FEE (Based on Meter size) IF BOTH THE CWA PASS THROUGH AND IPR RATE INCREASES ARE APPROVED

| Meter Size | Current | CWA Pass Through Increase | Rate as of January 1, 2009 |
|------------|------------|---------------------------|----------------------------|
| 5/8 inch | \$16.32 | \$0.20 | \$16.52 |
| 3/4 inch | \$16.32 | \$0.20 | \$16.52 |
| 1 Inch | \$23.86 | \$0.34 | \$24.20 |
| 1 1/2 Inch | \$41.10 | \$0.66 | \$41.76 |
| 2 Inch | \$62.66 | \$1.06 | \$63.72 |
| 3 Inch | \$113.29 | \$2.00 | \$115.29 |
| 4 Inch | \$185.49 | \$3.34 | \$188.83 |
| 6 Inch | \$364.36 | \$6.66 | \$371.02 |
| 8 Inch | \$579.86 | \$10.66 | \$590.52 |
| 10 Inch | \$832.01 | \$15.34 | \$847.35 |
| 12 Inch | \$1,549.64 | \$28.66 | \$1,578.30 |
| 16 Inch | \$2,699.37 | \$50.00 | \$2,749.37 |

PROPOSED MONTHLY COMMODITY FEE (Based on Water Usage) IF BOTH CWA PASS THROUGH AND IPR RELATED RATE INCREASES ARE APPROVED

| Customer Classification | Current | CWA Pass Through Increase | IPR Related Increase | Rate as of January 1, 2009 |
|-------------------------------|---------|---------------------------|----------------------|----------------------------|
| Single Family Dwelling | | | | |
| Tier 1 (First 7 HCF) | \$2.505 | \$0.213 | \$0.077 | \$2.795 |
| Tier 2 (Second 7 HCF) | \$2.717 | \$0.231 | \$0.084 | \$3.032 |
| Tier 3 (Above 14 HCF) | \$3.051 | \$0.259 | \$0.094 | \$3.404 |
| Multi-family Dwelling | \$2.717 | \$0.231 | \$0.084 | \$3.032 |
| Commercial | \$2.606 | \$0.222 | \$0.080 | \$2.908 |
| Industrial | \$2.606 | \$0.222 | \$0.080 | \$2.908 |
| Irrigation | \$2.784 | \$0.237 | \$0.086 | \$3.107 |
| Temporary Construction | \$2.784 | \$0.237 | \$0.086 | \$3.107 |

Example:

When combined with new base fees, the increased commodity charges will effectively raise total water rates for a typical Single Family Residential Customer by approximately 8.4% (\$4.43 per month). The exact amount of increase will vary among customers because of their varying levels of water consumption.

PROPOSED EFFECT OF WATER RATE INCREASE ON THE THE TYPICAL SINGLE FAMILY DWELLING MONTHLY BILL (14HCF USAGE)

| Single Family Base Fee | Current | January 1, 2009 |
|------------------------|----------------|-----------------|
| 3/4 Inch meter | \$16.32 | \$16.52 |
| Commodity Fee* | | |
| Tier 1 (1-7 HCF) | \$17.54 | \$19.57 |
| Tier 2 (8-14 HCF) | \$19.02 | \$21.22 |
| TOTAL | \$52.88 | \$57.31 |

NOTE:

To help promote conservation, the City uses a tiered billing structure that increases the costs for water used by residential customers. The first tier rate applies to water usage up to 7 HCF per month. The second, higher, tier rate applies to all water used over 7 HCF and up to 14 HCF per month (the amount used by a typical Single Family Residential customer). The third, highest, tier rate applies to all water used in excess of 14 HCF per month.

Please note that the City recently moved to a bi-monthly billing cycle. This means that each water bill you receive now includes charges for two months of service.

More information about water rates is available at www.sandiego.gov/water or by calling (619) 515-3500.

*Assumes 7 HCF used per rate tier. Assumes increases from both CWA and IPR.

You can protest the proposed rate adjustments

You can use the coupon in this notice to register your protest against either or both of the proposed water rate adjustments. You can also choose to write a letter to the City, following the requirements below, or appear at the public hearing listed on the front cover of this notice to submit your written protest.

How Can I Participate?

Interested parties can comment on the proposed rates. California law prohibits the City from implementing the new rates if a majority of the affected property owners file written protests opposing the rates before the end of the public hearing. Written protests must be received by the City Clerk, Mail Station No. 2P, City Administration Building, 202 "C" Street, San Diego, CA 92101, before the end of the public hearing which is scheduled for 2:00 pm, November 17, 2008. Each protest must identify the affected property (by assessor's parcel number or street address) and include the signature of a record property owner or utility customer. Email protests will not be accepted. Although oral comments at the public hearing will not qualify as formal protests unless accompanied by a written protest, the Mayor and City Council welcome input from the community during the public hearing.



USE THIS FORM TO PROTEST EITHER OR BOTH OF THE PROPOSED WATER RATE INCREASES

TEMPORARY INDIRECT POTABLE REUSE (IPR) / DEMONSTRATION PROJECT

I _____ protest this proposed increase to water rates.

Property Address or Assessor's Parcel Number: _____

Signature: _____

CHECK THIS BOX TO PROTEST ☐

CWA PASS THROUGH

I _____ protest this proposed increase to water rates.

Property Address or Assessor's Parcel Number: _____

Signature: _____

CHECK THIS BOX TO PROTEST ☐

If you wish to use this form as your protest to one or both of the rate increases, you must provide complete information on each protest you care to submit under these protest procedures and mail in a stamped envelope to:
City Clerk, City Administration Building, 202 C Street, MS 2P, San Diego, CA 92101.

Some customers will receive multiple Notices In order to ensure that all San Diegans are informed about possible water rate increases, these Notices are being sent both to property owners and to City of San Diego Water Department customers.

This material is available in alternative formats upon request to accommodate persons with disabilities or non-English speakers. To order information in an alternative format, or to arrange for a sign language or oral interpreter at the **November 17, 2008** hearing, please call the Clerk's office on or before November 10, 2008 at (619) 533-4000 (voice) or (619) 236-7012 (TTY).